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Peru

Oilseeds and Products

Annual

2002

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Report Highlights:

Fish catch and meal production are expected to fall due to the upcoming El Niño.

Fishmeal production in CY2002 is forecast at 1.69 Million Metric Tons, a reduction of 47,000 MT compared to the previous year. Soybean meal imports are expected at 450,000 MT and soy oil imports should reach 200,000 MT in 2002.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1], PE

Executive Summary

Total fish catch for Calendar Year 2002 is estimated at 7.5 Million Metric Tons, 6 percent lower than 2001. Fishmeal production for CY 2002 is estimated to fall 47,000 MT to 1.69 MMT. Though it is very difficult to make any predictions at this moment, specially since the fishing season is yet to begin, an El Niño seems to be on the way which will result in a reduction of total catch and consequently meal production. Fish meal exports for CY2002 are forecast at 1.58 MMT

The fishing industry has a long way to go to recover from the financial crisis originated by El Niño which drove most of the fish away from the Peruvian coast in 1997/1998; the world wide economic crisis that stopped most of the exports to Asia and plummeting of prices; and evidence starts to show a new El Niño on the way. As a result, the Peruvian fishing industry feels like it has been hit by the seven plagues of Egypt and it is very weak financially, with total debt of \$2 billion.

Fish oil production is forecast at 290,000 MT in CY 2002, 65 percent higher than the previous year. This rather large increase is due to higher fat content in the fish caused by cooler waters during last year. Fish oil exports for CY 2002 are forecast at 220,000.

Soybean meal imports are forecast at 450,000 MT for CY 2002, about 30,000 MT more than the previous year. Soybean oil imports are forecast at 200,000 MT in CY2002.

PSD Table						
Country	Peru					
Commodity	Meal, Fish			(1000 MT)(PERCENT)		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Catch For Reduction	9400	8005	8925	7500	0	8500
Extr. Rate, 999.9999	0.220213	0.216989	0.219608	0.225333	ERR	0.227059
Beginning Stocks	185	215	175	70	150	100
Production	2070	1737	1960	1690	0	1930
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2255	1952	2135	1760	150	2030
MY Exports	1950	1797	1850	1580	0	1850
MY Exp. to the EC	400	523	300	450	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	130	85	135	80	0	80
TOTAL Dom. Consumption	130	85	135	80	0	80
Ending Stocks	175	70	150	100	0	100
TOTAL DISTRIBUTION	2255	1952	2135	1760	0	2030
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	1797	0	1580	0	1880
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix	
Country	Peru
Commodity	Meal, Fish
Time period	2001
Exports for:	
U.S.	0
Others	
China	594395
Japan	226022
Germany	169832
Taiwan	109295
Russia	83816
Indonesia	73160
Thailand	68637
Canada	65934
UK	42405
Iran	41455
Total for Others	1474951
Others not Listed	322000
Grand Total	1796951

Fishmeal

Production

Total fish catch for Calendar Year 2002 is forecast at 7.5 MMT, a six percent reduction compared to 2001. Fishmeal production for CY 2002 is forecast to decrease 47,000 MT to 1.69 MMT. This reductions are foreseen as a result of evidence showing that an El Niño is very likely to occur this year.

After years of enjoying fairly stable economic growth and rather large profits, the Peruvian fishing industry has suddenly found itself in troubled waters after the 1997/1998 Niño and the Asian crisis. The negative effects of el Niño weather phenomenon which pushed the fish away from the Peruvian coasts in 1998, along with the strong devaluation of Asian currencies in 1999, main markets for Peruvian fishmeal, overwhelmed even the most pessimistic estimates turning a sound industry into a high risk investment, especially for banks. Moreover, after a year with prices at around \$680 per MT for prime fishmeal and \$600 per MT for FAQ fishmeal, prices plummeted to around \$450 and \$380 respectively. Most recently, the European Community attempted to ban Peruvian fish meal fearing some relation to mad cow disease Total industry debt is eeestimated at two billion dollars. The three largest companies account for about 22 percent of the debt.

There are 110 fishmeal plants along the Peruvian litoral and the fishing fleet is comprised of 800 boats. Total processing capacity is 7,500 MT per hour, about four times over capacity. Most of the fishing plants have invested significant amounts on better and more efficient equipment. Processing plants are now forced to comply with some environmental regulations. Therefore most of them are now investing in "tail-water" discharge recovery systems, and even airborne particle recovery systems, both of which translate into higher extraction rates (and profits). Larger producers are also investing in canning or freezing lines, to convert more of the catch to higher valued products for human consumption, a trend expected to continue.

Public awareness and international concern for environment problems caused by the fishmeal industry are likely to increase in coming years

Consumption

Local fish meal consumption only accounts for 5 to 7 percent of total production and does not have a great impact on the export market. Consumption for CY 2002 is forecast at about 80,000 MT. International fishmeal seem to be rising due to a potential Niño.

Trade

Fishmeal exports for CY 2002 are forecast at 1.58 MMT. With 594,395 MT, China continues to be the major importer followed by Germany, Taiwan and Japan. Asia had a major impact on the export reduction, mainly due to China's lower participation. China's fishmeal imports from Peru fell 350,000 MT in 2001 compared to the previous year. On the other hand Japan increased significantly its purchases from Peru, going from 117,000 MT in 2000 to 226,000 MT in 2001.

Policy

The GOP continues to enforce two fishing seasons during each year. These seasonal fishing bans are implemented during the anchovy spawning seasons and may vary somewhat from year to year. Usually the bans are enforced from January to mid March and from August to mid November. The Ministry of Fisheries in the past set a national fishing quota. This year they changed this system, now they measure the size of the fish and do not allow any fishing if the size is less than 12 centimeters.

The Government is very concerned about the sustainable limits of fish catches, and sets limits for the processing capacity of plants and the fishing capacity of fleets. Every processing plant and fishing vessel must apply for an operating permit, and receive a quota, from the Ministry of Fisheries, before it can begin operations each season. Moreover, the government is no longer issuing permits to build new plants nor boats. The only venue to acquire a fishing boat is to buy one that already has a fishing permit. Some boat owners are being forced to sell their boats due to the deep financial crisis.

Though the GOP has given the industry a tax break through value-added tax drawback on exports, it is still enforcing the 2 percent tax on assets, even if they only work 6 months a year.

PSD Table						
Country	Peru					
Commodity	Oil, Fish				(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Catch For Reduction	9400	8005	8925	7500	0	8500
Extr. Rate, 999.9999	0	0.022486	0	0.039733	ERR	0.027059
Beginning Stocks	0	2	0	2	0	4
Production	0	180	0	298	0	230
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	0	182	0	300	0	234
MY Exports	0	141	0	220	0	152
MY Exp. to the EC	0	130	0	102	0	110
Industrial Dom. Consum	0	3	0	14	0	10
Food Use Dom. Consump.	0	33	0	52	0	60
Feed Waste Dom. Consum	0	3	0	10	0	10
TOTAL Dom. Consumption	0	39	0	76	0	80
Ending Stocks	0	2	0	4	0	2
TOTAL DISTRIBUTION	0	182	0	300	0	234
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	85	0	171	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Fish Oil

Outlook

Fish oil production for CY 2002 is forecast at 298,000 MT, 65 percent higher than the previous year. This rather large increase is due to higher fat content in the fish caused by cooler waters during last year. Oil extraction is directly related to water temperatures. Under normal weather conditions the oil extraction rate should be around 8 to 10 percent, but with El Niño conditions during 1998, which caused water temperatures to rise over 6 degrees Celsius above its normal temperatures, oil extraction dropped as low as one percent. Imarpe (The Peruvian Sea Institute) estimates there will be a high oil content in the fish for this year's catch.

Exports for CY 2002 are expected at 220,000 MT, a 56 percent increase compared to 2001. Oil production and exports are difficult to forecast due to the high variability in fish oil content and the lack of official statistics. Norway and Chile were the most important importers of Peru's fish oil with 27 and 23 percent of the total exports respectively.

Consumption in 2002 is expected at 76,000 , 37,000 MT more than in 2001. Fish oil blended with vegetable oil is the cheapest, thus the most popular cooking oil for Peruvian domestic consumption.

PSD Table						
Country	Peru					
Commodity	Meal, Soybean				(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Crush	0	2	0	2	0	3
Extr. Rate, 999.9999	ERR	0.5	ERR	0.5	ERR	0.333333
Beginning Stocks	9	10	9	11	9	14
Production	5	1	5	1	0	1
MY Imports	450	420	480	450	0	460
MY Imp. from U.S.	100	42	100	80	0	100
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	464	431	494	462	9	475
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	455	420	485	448	0	462
TOTAL Dom. Consumption	455	420	485	448	0	462
Ending Stocks	9	11	9	14	0	13
TOTAL DISTRIBUTION	464	431	494	462	0	475
Calendar Year Imports	0	420	0	450	0	460
Calendar Yr Imp. U.S.	0	42	0	80	0	100
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix	
Country	Peru
Commodity	Meal, Soybean
Time period	2001
Imports for:	
U.S.	42246
Others	
Argentina	201110
Brazil	169781
Bolivia	5894
Total for Others	376785
Others not Listed	1240
Grand Total	420271

Soybean Meal

Outlook

Soybean meal imports for CY 2002 are forecast at 450,000 MT about 30,000MT more than the previous year which is higher than the average imports, which have historically been around 240,000 MT per year.

With a per capita consumption of about 23 kilograms per annum, chicken meat is a staple product in the Peruvian diet and the second cheapest source protein after fish. Due to the limited availability of fish, the cheapest source of protein, consumers turned to chicken as a low-cost alternative during 1998. Per capita consumption grew from 17 kilograms per annum to 25 kilograms per annum while the effects of El Niño lasted. Even though poultry meat demand fell somewhat after el Niño was over, it remained higher than before El Niño. Peru's poultry population is about 240 million birds per year.

With 201,110 MT, Argentina was the leading soybean meal exporter to Peru, followed by Paraguay with 169,781 MT. The U.S. exported 42,246 MT. Despite the duty free agreement, Bolivia only exported 5,894 MT of soybean meal to Peru.

Peru has recently reduced import tariffs for soybean meal from 12 to 4 percent, effectively reducing the effects of tariff preferences agreements. Peru grants 100 percent reduction for Bolivian meal and 70 percent reduction for Paraguayan meal. Besides the tariff, every product imported into Peru or locally produced is assessed 18 percent value-added tax.

Peru's soybean meal exports are practically non-existent; Peru customs reports 1,200 MT to Ecuador. However Ecuadorian customs reports imports from Peru of 21,000 MT in 2001, Post have been unable to confirm neither with Peru customs of an error in its exports statistics nor with traders of unregistered movements across the Peru-Ecuador border.

The Government of Peru has not yet impeded imports of any agricultural products due to "Biotechnology" concerns, nor expressed any inclination to do so, but has started to receive some questions from consumers' associations, we will probably see some action by the GOP in the near future.

PSD Table						
Country	Peru					
Commodity	Oil, Soybean					
					(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Crush	0	2	0	2	0	3
Extr. Rate, 999.9999	ERR	0	ERR	0	ERR	0
Beginning Stocks	10	6	10	10	10	15
Production	0	0	0	0	0	0
MY Imports	130	194	140	200	0	200
MY Imp. from U.S.	70	69	75	80	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	140	200	150	210	10	215
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	130	190	140	195	0	205
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	130	190	140	195	0	205
Ending Stocks	10	10	10	15	0	10
TOTAL DISTRIBUTION	140	200	150	210	0	215
Calendar Year Imports	0	194	0	200	0	0
Calendar Yr Imp. U.S.	0	69	0	80	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Soybean Oil

Outlook

Soybean oil imports are forecast at 200,000 MT in CY2002. Imports in 2001 were 194,000MT of which 173,000 MT was crude oil and the rest refined oil. Affected by a long lasting recession and oil smuggling undermining locally produced oil in the market, oil consumption is expected to decrease slightly to 118,000.

Peru has several bilateral trade agreements for crude soybean oil. Imports from Bolivia are duty free, while imports from Paraguay are granted 90 percent tariff reduction. Soybean oil from Argentina has 80 percent tariff reduction from the normal 12 percent rate. Soybean oil from any other origins are assessed 12 percent tariff. Oil coming from any of these countries is not exempt from the 18 percent value-added tax.

Soybean oil imported from the United States is mainly under the PL-480 Title II Program operated by the U.S. Agency for International Development. Of the 173,000 MT imported in 2001, about 68,000 MT came as donation under the Title II program. This oil is imported and sold to the local processing industry at prevailing commercial prices, with the proceeds used for humanitarian projects.